State of Colorado

1099 Reporting Guide

Revised 11/2004

DPA

Published by

Department of Personnel and Administration
Division of Finance and Procurement
Office of the State Controller
1525 Sherman Street Suite 250
Denver Colorado 80203
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Purpose of this Guide

This 1099 Reporting Guide was developed by the State Controller's Office (SCO) to inform Colorado state agencies of changes to 1099 reporting laws, policies and procedures that impact year-end processing, to help agencies avoid problems encountered in 1099 processing, and to assist them in carrying out the following duties:

♦ Obtaining and reviewing Forms W-9,

♦ Adding vendor records to the COFRS VEND Table,

♦ Identifying 1099 reportable entity types,

♦ Identifying 1099 reportable payments,

♦ Reviewing 1099 Reports to ensure vendor names, TINs and income are accurately reported,

♦ Correcting vendor information and income amounts before and after Forms 1099 are issued.

Users of this guide should be aware that it does not comprehensively cover all the laws related to 1099 reporting. By design, it only covers the areas of the law related to Forms 1099-MISC and 1099 INT.

State Controller's Office Contacts

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1099 Compliance Information

Information Returns General Information

Information returns are a vehicle for submitting required information about another person to the IRS. They are filed by financial institutions and by others [including the state] who make certain types of payments as part of their trade or business. Forms 1099 are a type of information return.

There are many different varieties of Forms 1099 to report various types of payments. The COFRS 1099 Reporting System produces only two: [1] Forms 1099-MISC; [2] 1099-INT. This guide deals with issues related to only those types of forms. Information returns have two purposes:

1) The recipient copy gives the taxpayers information needed to prepare their income taxes accurately,

2) The information filed with the IRS allows the IRS to match income we report against income included on the payee's income tax return.

The IRS requires the State to issue Forms 1099 to vendors and report the information to the IRS when all of the following three criteria exist:

  ⬧ The payee is a reportable entity type;
  ⬧ The payment is a reportable payment type;
  ⬧ The amount paid to the vendor meets or exceeds the reportable amount.

Forms 1099 must also be issued when:

  ⬧ Federal income tax was withheld under backup withholding rules [regardless of the amount paid to the payee],
  ⬧ Gross proceeds are paid to an attorney or law firm [regardless of entity type],
  ⬧ Deceased employee wages are paid to an estate or beneficiary [without regard to the amount].

COFRS Vendors Receive One Summarized Form 1099

Prior to 1996, if multiple agencies paid a vendor, the vendor received multiple Forms 1099. In 1996 vendors began receiving one summarized Form 1099 with all agencies' payments included in the total. A breakdown of how much each agency paid the vendor is included at the bottom of the form.

Agencies no longer receive hard copies of the Forms 1099. The copies are now kept on file at SCO. Requests for duplicate Forms 1099 should be directed to Joyce Miller at 303-866-3816. When forms are returned to SCO due to bad addresses, they will be forwarded to the vendor if a good address is available. They are retained at SCO until the vendor or agency provides another address. Vendor records are put on HOLD until a good address can be established on VEND.

Because the vendors only get one Form 1099, it is necessary that all requests for corrected Forms 1099 be processed through SCO. As required by law, forms mailed to recipients have a contact telephone number printed as part of the payer information. The telephone number printed on the forms is **303-866-4090**, the *1099 Helpline.* Agencies should refer taxpayers to this telephone number when a correction is needed. Agencies should not use that number to call SCO. Instead, call Joyce Miller at 303-866-3816.

1099 Filing Deadlines

If the due date falls on Saturday, Sunday or legal holiday, the due date is the next business day.

January 31	Recipient copy must be postmarked
March 30	IRS copy (if filed electronically)
April 30	Late or Corrected Forms filed with IRS with $15 penalty
May 1- July 31	Late or Corrected Forms filed with IRS with $30 penalty
August 1 and after	Late or Corrected Forms filed with IRS with $50 penalty

Two Procedures are Crucial to Accurate Reporting

The two most important steps in producing accurate Forms 1099 are entering vendor information on the COFRS Vendor Table (VEND) and classifying payments correctly on payment transactions. If both of these steps are done correctly, the system will produce 1099s with no manual intervention at year-end.

Vendor Garnishments, IRS Levies, or Vendor Offsets Do Not Affect 1099 Income

Agencies should be aware that vendors whose 1099 reportable payments were garnished, levied, or offset might contact the state to dispute the amount of income reported on their Form 1099. Those payments are selected to the 1099 ledger and are correctly reported as income to the vendor.

The IRS TIN / NAME Matching Process

A TIN is a taxpayer identification number. It can be either a Social Security Number (SSN) or an employer identification number (EIN). When 1099 information is filed with the IRS, they go through a process of verifying that the TIN was assigned to the name that was reported on the 1099. They verify whether a TIN is correct by matching it against a file containing all currently issued SSNs, and a file containing all currently issued EINs. Then, name controls are developed from the first four letters in an individual's last name, or from the first four characters of a business name. The IRS considers a TIN incorrect when the TIN / name combination doesn't match the information in their files.

IRS CP2100 Notice of Incorrect TIN /Name Combinations

When 1099 information is reported to the IRS with an incorrect or missing TIN, SCO is notified by the IRS with a CP2100 Notice. It lists all the incorrect TIN / name combinations reported. The CP2100 Notice is received by the state in October. For each incorrect TIN / name combination listed on the CP2100 we are subject to a $50 penalty, unless we can show reasonable cause. We won't be penalized if we have a Form W-9 on file to verify that the vendor provided incorrect information.

The State Controller's Office must issue Backup Withholding Notices to taxpayers within 15 business days of the CP2100 Notice date. Backup withholding is required on reportable payments made to reportable vendors who did not return a certified Form W-9 on or before the 30th business day from the date on the IRS CP2100 Notice.

Backup Withholding Information

Backup withholding is the process of withholding income taxes (28% of a payment), at the time the payment is made. The State is liable for backup withholding when:

1) The payee refuses to provide a TIN;

2) The TIN provided is obviously incorrect (anything other than 9 digits);

3) *For interest payments ONLY*, when no certified (signed under penalties of perjury) Form W-9 is on file stating that the payee is either exempt from, or not subject to backup withholding;

4) When notified by the IRS for either of the following reasons: (1) A 1099 was filed with a missing or incorrect TIN; (2) A taxpayer has failed to report interest or dividend income.

The 28% Penalty for Failure to Backup Withhold

The penalty for failing to backup withhold when required is the amount that should have been withheld (28% of the payment). To avoid the risk of incurring these penalties, all vendors on the VEND Table with TIN / Name combinations that match those on the CP2100 Notice are put on HOLD, and remain on HOLD until the vendor returns a certified Form W-9 with correct information.

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* WARNING *

If the COMMENTS field on VEND indicates that the vendor is on HOLD due to backup withholding, DO NOT use a miscellaneous vendor code to pay the vendor.   Agencies that pay a vendor who is on the Backup Withholding List are responsible for any penalties assessed by the IRS for failure to backup withhold on the vendor's payments. When in doubt, please call SCO for information.

Steps Taken at SCO Once the Certified W-9 is Received

When a vendor who was listed on the CP2100 Notice returns a certified Form W-9 to SCO, all records on VEND with the incorrect Tin / Name combinations are reviewed. If the name was incorrect, the record is changed to reflect the correct name. If the TIN was incorrect, the incorrect record remains on HOLD, because the vendor code can't be changed. If the correct Tin / Name combination does not exist on VEND, SCO will add it, and agencies may resume payments to the vendor.

Records put on HOLD by SCO due to an incorrect TIN will have a notation in the COMMENTS field on VEND referring you to the correct TIN.

IRS 2/3 Rule "Second B-Notice"

When a vendor is on the CP2100 Notice with the same TIN / Name combination *in any two out of three calendar years* we must send that vendor a "Second B-Notice." The Second B-Notice notifies the vendor that the State must backup withhold on any future payments made to the vendor until an IRS 147C Letter (verifying the EIN/name), or a Social Security Administration Form SSA-7028 (verifying a SSN) is received by SCO. **Under the IRS 2/3 Rule, a certified Form W-9 from the vendor will no longer prevent backup holding from occurring, or allow it to stop, once initiated.** To avoid the risk of incurring penalties, the VEND record for these vendors will remain on HOLD until the appropriate documents are received**.**

1099 Records Retention Requirements Chart

Copies of Forms 1099 and final reports must be kept for three years following the due date of the returns. If there has been any backup withholding, records must be retained for four years after the due dates of the returns. The following table lists the retention requirements based on the three-year requirement.

1099 RECORDS RETENTION REQUIREMENTS		
TAX YEAR	**FILING DUE DATE**	**1099 COPIES & REPORTS DESTRUCTION DATE**
2000	February 28, 2001	**September 1, 2004**
2001	February 28, 2002	**September 1, 2005**
2002	February 28, 2003	**September 1, 2006**
2003	February 28, 2004	**September 1, 2007**
2004	February 28, 2005	**September 1, 2008**
2005	February 28, 2006	**September 1, 2009**
2006	February 28, 2007	**September 1, 2010**
2007	February 28, 2008	**September 1, 2011**

Properly Classifying 1099 Reportable Payments

1099-MISC Reportable Payments Chart

Reportable object codes are defined on the COFRS *OBJT Table* in the far right column of the table. A list of all current object codes is included in the appendix of this manual.

The following chart is an overview of income types and amounts that are 1099 reportable on Form 1099-MISC.

Income Type	Amount	FORM 1099-MISC
Box 1	$600	**Rents:** Rentals and leases of land, buildings, homes, offices, conference rooms, motor vehicles, office and other equipment; Surface Royalties Rental assistance payments to property owners
Box 2	$10	**Royalties**
Box 3	$600	**Other Income:** Jury Payments Reportable Damages (Contact Phil Holtmann at SCO for guidance) Value of awards & prizes that are not for services performed Honoraria
	Any amount	Deceased employee wages paid to an estate or beneficiary
Box 4	Any amount	**Fed Income Tax Withheld** – Backup Withholding
Box 6	$600	Medical and Health Care Payments: Doctors, dentists, optometrists, counselors, home health care workers, veterinarians Medical billing services, clinics, hospitals, and nursing homes
Box 7	$600	**Non employee Compensation:** Fees, Bonuses, Commissions Value of awards and prizes for services performed Personal, professional and technical services performed by independent contractors including, but not limited to advertising, appraisal, architectural, auditing, accounting, computer programming, consulting, cleaning, engineering, laundry, program administration Legal fees to attorneys (including corporations) accountants, architects Expert witnesses Payments for maintenance and repair services including parts and materials if incidental to the repair Auto, mileage, and travel reimbursements to non-employees for which the non-employee does not account to the payer Entertainers Taxable fringe benefits to non-employees Vacation allowance to non-employees Gross oil and gas payments for a working interest Commissions paid to licensed lottery ticket sales agents
Box 14	Any amount	**Gross Proceeds paid to Attorney or Law Firm:** If payment is made to an attorney in connection with settlements and the attorney fee cannot be determined, the total amount paid (gross proceeds) must be reported in this box. When a settlement agreement or judgment amount is made jointly payable to the attorney and client, report the full amount in this box.

Payments to Corporations for Legal Services are Reportable –BOX 7

The exemption from reporting payments made to corporations no longer applies to payments for legal services. All payments in the course of a trade or business of $600 or more for legal fees to attorneys and law firms are reportable on Form 1099-MISC, *regardless of the entity type of the recipient*. These payments are still reported in Box 7. SCO has revised the *Substitute Form W-9* to ask corporate vendors if legal services are provided.

Legal services are defined by the IRS as all services performed by, or under the supervision of, an attorney.

Agencies must review their 1099=N version of the T9902R Turnaround Report to identify vendors who provide legal services. To have those vendors changed to 1099 = Y on VEND, send a copy of the report pages to Sandy Rarick at SCO. Questions should be directed to Joyce Miller at 303-866-3816.

Gross Payments to Attorneys are Reportable – BOX 14

Payments to attorneys are reportable as "Gross Payments" when it is not known how much of the payment is the attorney fee. This type of payment is reported under the attorney's TIN regardless of whether the attorney is the exclusive payee. This type of payment is the result of a settlement agreement or judgment. The payments are reported in Box 14 on Form 1099-MISC.

Exceptions to 1099-MISC Reporting

No reporting is required for payments:

•   To Corporations *unless the payments are for (1) medical services, (2) legal services, (3) or gross payments made to attorneys and law firms,*

•   To Government entities,

•   For merchandise, supplies, telegrams, telephone, freight, storage fees,

•   For rent paid to real estate agents,

•   To informants as an award, fee, or reward for information about a criminal activity if the payment is made by a federal, state, or local government agency,

•   For scholarships or fellowship grants, tuition reimbursements,

•   For travel and parking reimbursements to independent contractors, if accountable plan requirements are met,

•   To a tax-exempt hospital or tax-exempt extended care facility or to a hospital or extended care facility owned and operated by the United States (or its possessions), a state, the district of Columbia, or any of their political subdivisions, agencies, or instrumentalities,

•   For difficulty-of-care payments to foster care providers that are excludable from the recipient's gross income,

•   For foster care payments, if paid for not more than 10 children under age 19 and not more than 5 individuals age 19 or older.

1099-INT (INTEREST) Reportable Payments Chart

Income Type	Amounts	FORM 1099-INT
Box 1	$10	Amounts paid or credited to a person's account by savings and loan associations, mutual savings banks not having capital stock represented by shares, building and loan associations, cooperative banks, homestead associations, credit unions, or similar organizations, (the state is a similar organization and must report interest which is collected on behalf of another person and then distributed to the accounts of others, such as patient accounts)
	$600	Prompt payment related interest paid to vendors Settlement or Judgment Interest Capital lease interest

Exceptions to 1099-INT (INTEREST) Reporting

1. Corporations
2. Tax Exempt Organizations
3. IRAs
4. U. S. Agencies
5. States
6. The District Of Columbia
7. U. S. Possessions

Income Types -- Why They Are Important

Several distinct categories of income are reported on Forms 1099. The different categories are reported by income type. Each income type is reported in a different box on the Form 1099. For example, income type 1 would be reported in box 1 on the form.

It is important that the vendor's income is reported under the correct income type (in the correct box) because there are income tax implications to the 1099 recipient. Certain amounts shown on the form may be subject to self-employment tax. The 1099 recipient reports the different income types to the IRS, using the instructions printed on the Form 1099.

The Relationship Between Income Types and Object Codes

Object codes are defined on the OBJT Table as to which Income Type they belong. Payments are sorted by object code, then summarized into the different income types to be reported on the appropriate Form 1099.

Chart - Income Type / Object Code Table

INCOME TYPE / OBJECT CODE TABLE For Forms 1099-MISC (Rev 11/2003)								
Type 1	Type 2	Type 3	Type 6	Type 7				Type C
Rent	Royalties	Other Income	Medical	Non Employee Compensation				Attorney Gross Payments
2250 2253 2254 2255 2256 2257 2258 4195 6810	4230	1310 4111 4114 4115 4117 5781 5791 5881 5891	1940 2710 4190	1330 1910 1920 1930 1940 1950 1960 1961 2110 2150 2160 2170 2180	2190 2210 2220 2230 2231 2232 2240 2310 2311	2312 2610 2611 2612 2641 2680 2690 2820	2830 4119 4161 4162 4163 4192	4118

Statewide 1099 Reporting Policies
Revised 11/2003

Forms 1099 Shall Only be Issued by SCO

SCO shall issue all Forms 1099-MISC and Forms 1099-INT and shall file all required information with the IRS for all agencies whose payments are made with COFRS payment voucher transactions.

Agencies shall be responsible for filing Forms 1099-S information (to report real estate transactions) adhering to IRS regulations.

SCO will file Forms 1099-MISC and Forms 1099-INT using the Employer Identification Number issued to SCO by the IRS. Agencies shall not manually produce or mail any Forms 1099-Misc or 1099-INT using the State's Employer Identification Number without written authorization from the State Controller.

Forms 1099 shall be mailed to recipients by SCO on or before the statutory due date of January 31. Duplicate Forms 1099 will be prepared and mailed as needed to recipients by SCO.

SCO Issues Summarized Forms 1099

SCO issues one summarized Form 1099-MISC and/or 1099 INT per recipient that reports the total of all payments made to the recipient by individual State agencies. Information is included at the bottom of the form to breakdown the statewide total by agency. Forms 1099 are not issued for less than $600 unless required by law.

Only SCO Issues Corrected Forms 1099

Only SCO shall approve, prepare, and mail all corrected Forms 1099, including those for prior years.

SCO shall communicate with the IRS, using detailed payment information provided by the paying agency, if questions arise related to the issuance of Forms 1099.

Agencies are Billed by Mail Services for 1099 Postage Costs

The Division of Mail Services bills agencies directly for 1099 postage costs, using amounts and billing codes provided by SCO. The statewide total of the postage cost is divided by the number of forms produced to get a cost per form. Then, each agency's postage costs are determined by counting the number of record on the Agency's 1099 Table with a "Y" in the Report Indicator field and multiplying the number by the cost per form.

1099 Information Retention

SCO shall retain a copy of all Forms 1099 filed with the IRS for a period of no less than three years from the due date. Paying agencies must have the ability to reconstruct the payment detail of income reported on the forms for a period of no less than three years following the reporting due date. When backup withholding has been imposed, a four-year retention period is required for reports and copies of the forms.

Use and Development of Substitute Forms W-9

All agencies shall use the *State of Colorado Substitute Form W-9* (State Forms commodity No. 615-82-50-7093) to request a vendor's correct name and TIN, unless the agency has written authorization from SCO permitting the use of a different Form W-9. Once an agency is given approval to develop and use a different Form W-9, it becomes the agency's responsibility to maintain and update the form to meet IRS specifications. Questions should be addressed to Joyce Miller at 303 866-3816.

SCO shall notify agencies when the *State of Colorado Substitute Form W-9* is revised. Notification of revisions are included in the accounting *ALERTS* issued by the State Controller's Office.

Obtaining the Master Vendor's TIN in the Time and Manner Required by the IRS

Agencies shall obtain a Form W-9 prior to adding a new TIN to VEND and enter accurate and complete information in the *W-9 tracking field* on VEND. This practice will permit the abatement of penalties assessed for reporting incorrect Tin / Name combinations. Only one W-9 is needed for a vendor. If an alternate address is being added with *exactly* the same name and TIN, and the vendor has an existing record with a W-9, obtaining another W-9 is unnecessary.

By entering the W-9 date and a *"V"* in the tracking field, an agency is affirming that a W-9 is in the agency's possession at the time the record is added.

The substitute Form W-9 obtained for the Master Vendor record on the COFRS VEND Table will serve as the official source document for the name, address, and TIN reported on the Form 1099.

Forms W-9 shall be obtained by and retained at the agency that added the record and must be made available to SCO when needed for official State purposes. Retain the Form W-9 that is verified in the W-9 field of the vendor file for three years after the last 1099 was issued, or as long as the vendor is on the vendor file.

Form W-8, Certificate of Foreign Status

If by law, a vendor with foreign status is not required to have a TIN, an agency shall obtain a signed Form W-8 from the vendor before the vendor is added to the vendor file. The agency shall **obtain a new Form W-8 every three years** from a vendor with ongoing payments.

Backup Withholding on Vendor Payments

When notified by the IRS that a vendor is subject to backup withholding, SCO will issue a *Backup Withholding Notice* to the vendor. All records on the COFRS Vendor Table (VEND) that exactly match the name and TIN combination provided by the IRS are placed on HOLD. In order to avoid backup withholding to the extent allowable by law, the records will remain on HOLD, and no payments will made until the vendor provides correct information.

SCO is notified by the IRS and will notify agencies if backup withholding is necessary due to incorrect Tin / Name combinations reported on Forms 1099. A comment is added to in the COMMENTS field of the vendor's record(s) on VEND. The COMMENTS field will include the tax year of the backup withholding notice and IRS. (For example, "2003 IRS") Thereafter, backup withholding of 28% of reportable payments shall be the responsibility of the agency.

SCO must notify a vendor when the backup withholding process begins.

Reportable interest payments require backup withholding at the rate of 28% at the time of payment, unless the agency has a *signed and dated Form W-9 certifying under penalties of perjury* that the TIN provided is correct and that the payee is not subject to backup withholding.

Real estate transactions reportable on Forms 1099-S are not subject to backup withholding.

Agencies are responsible for any penalties incurred due to failure to backup withhold.

Classifying Payments Properly

SCO shall define which object codes are 1099 reportable on the COFRS *OBJT Table*. Agencies are responsible for determining which payments are 1099 reportable and coding documents appropriately.

Agencies shall not use miscellaneous vendor codes to pay 1099 reportable payments to reportable payees.

Agencies shall enter a vendor code on all JA/JV documents that affect 1099 reportable payments to reportable payees. COFRS enters a vendor code on all automatic JV transactions entered as a result of CX (warrant cancellation) transactions.

Capital Construction contract payments which include labor of any kind require the use of object codes 1910, 1920, 1930 (purchased services); or 2310, 2311, 2312 (construction/contractor services).

Accounts payable accrual transactions recorded at fiscal year-end for 1099 reportable expenditures shall be reviewed at calendar year end to ensure 1099 reportable income is included in vendor income.

Accuracy of Vendor Income Amounts and the Master Vendor Selection

Agencies shall review and verify Master Vendor information and payment detail information reported on 1099 Turnaround Reports for each vendor and if necessary, correct the information on or before the deadlines published annually by SCO.

Confidentiality and Nondisclosure of Returns and Return Information

Taxpayer identification numbers obtained or maintained by State of Colorado Agencies for information return reporting purposes shall be confidential, and no officer or employee of the State who has or had access shall disclose the TINs in any manner without written authorization from the taxpayer. [Internal Revenue Code §7213(a)]

It is unlawful for any officer or employee of the State, or any former officer or employee, to willfully disclose any return or return information without written authorization from the taxpayer. [Internal Revenue Code §7213(a)]

Obtaining a Vendor's TIN

This section of the manual addresses the actions you must take regarding the solicitation of a TIN. Everyone who is required to file 1099 information returns must obtain the payee's correct TIN *in the time and in the manner required* in order to correctly report the income that is paid.

Form W-9 General Information

The purpose of Forms W-9 is to request a vendor's correct TIN and legal name in the manner required by the IRS. It requests the vendor's correct Name and Tax Identification Number (TIN). By signing the form a vendor certifies under penalties of perjury that the information provided is correct, the vendor is a U.S. person (including resident aliens) and that the vendor is exempt from backup withholding.

The vendor IS NOT required by IRS regulations to sign the certification for payments other than interest and dividends, unless the state has been notified by the IRS that the vendor's TIN was reported incorrectly (B-Notices).

A W-9 is needed for each vendor to ensure that the vendor record on VEND is set up correctly to protect the state from penalties in the event an incorrect TIN / Name combination is reported on a Form 1099. Faxed and Emailed Forms W-9 are acceptable.

Use of Substitute Forms W-9

Agencies must obtain a Form W-9 from the vendor prior to adding a new vendor on VEND. The State Controller's Office has developed a Substitute Form W-9 that agencies are required to use instead of the IRS version of the form. The substitute form provides more information than the IRS version. Specifically, it provides a box for corporate vendors to check if they provide medical or legal services. It also contains space for the vendor's telephone number. Contact the Colorado State Forms and Publication Center, Juniper Valley Products, at 303 370-2163 to order this form.

Agencies may develop or use their own version of Substitute Forms W-9 only with written approval from the State Controller's Office. Contact Joyce Miller at 303 866-3816.

Form W-8 Certificate of Foreign Status

Nonresident aliens and foreign entities that are subject to backup withholding should provide the State with a Form W-8, Certificate of Foreign Status. The certificates are valid for three years and should be retained at the agency for three years. Order Forms W-8 from the IRS by calling 1-800-829-FORMS.

NOTE: Obtaining Form W-8 does not relieve an agency from withholding income tax (if required by law) at the time a payment is made.

Vendor Refusal to Provide a TIN

If a vendor refuses to provide a TIN -- and another vendor who WILL provide a TIN cannot be used -- CALL SCO for advice on the best way to proceed.

If the payee is a reportable entity type, the agency must backup withhold 28% of reportable payments.

Always call SCO if there is a question regarding backup withholding on a vendor.

If an agency does not backup withhold on reportable payment to a reportable vendor who refuses to provide his correct Tin / Name combination, the penalty is the total amount that should have been withheld (28% of the payment).

The IRS will waive any penalties imposed for reporting Forms 1099 with an incorrect or missing TIN if the State can prove that it acted in a responsible manner by making the required Form W-9 **initial solicitation** (before the vendor was paid) and, if needed, an **annual solicitation** (before December 31 of the year that the account was opened or the first payment was made).

When notified by the IRS of an incorrect TIN, a first annual solicitation must be completed by SCO before December 31 of the calendar year in which the notification occurred. SCO accomplishes this solicitation by sending a Form W-9 with the Backup Withholding Notice that is sent to the vendor.

Procedure For Making The Initial Tin Solicitation By Mail

When a vendor does not exist on the vendor file, perform the initial solicitation by completing the following steps:

1.   Mail the vendor:

- ⬧   A Substitute Form W-9;

- ⬧   A cover letter (an example is included in the 1099 Reporting Manual) informing the payee: (1) that his or her correct Tin / Name combination must be provided; (2) that he or she is subject to a $50 fine imposed by the IRS under section 6723 of the Internal Revenue Code if the correct information is not provided.

- ⬧   A return envelope, which may be, but is not required to be postage paid.

2.   When the Form W-9 is returned, review the information provided by the vendor and add the vendor record to VEND.

Procedure For Making The Initial Tin Solicitation By Fax

When a vendor does not exist on the vendor file, perform the initial solicitation by completing the following steps:

1.   Speak to the individual whose TIN is needed, or an officer of the business or organization.

- ⬧   Unless the payee is an individual, ask which entity type the business is (will be entered in the ENTITY TYPE field).

- ⬧   Explain to the payee which TIN and name is required, based upon the entity type.

- ⬧   Tell the payee that you are required by the IRS to inform him or her; (1) that the correct Tin / Name combination must be provided; (2) and that he or she may be subject to a $50 penalty imposed by the IRS under section 6723 of the Internal Revenue Code if the correct information is not provided.

2.   When the Form W-9 is received, add the vendor record to VEND.

SAMPLE COVER LETTER FOR REQUESTING A FORM W-9
[USE AGENCY LETTERHEAD]

In order for the State of Colorado to comply with Internal Revenue Service regulations, we ask that you read, complete and promptly return the enclosed Substitute Form W-9. This request is also being made at the direction of the Colorado State Controller in order that the State may update its vendor file with the most current information.

Please return the Form W-9 within 10 days, even if you are exempt from backup withholding. Failure to return the Form W-9 in a timely manner may delay the payment of outstanding invoices until this information is received.

We are required to inform you that failure to provide the correct TIN / Name combination may subject you to a $50 penalty assessed by the Internal Revenue Service under section 6723 of the Internal Revenue Code.

> Sole proprietorships and single member LLCs must provide the name of the owner on the first line of the W-9. A trade name may be entered on the second line of the W-9. If you do not provide the name of the owner, we must delay payment until the owner's name is provided.

> For joint accounts, the owner of the SSN provided must be listed first. For example, if Jane Doe's SSN is given, the name should be entered on the Form W-9 as *Doe, Jane and John.*

> The legal name of a partnership, corporation, PC, PA, club, or other entity, must be entered on the first line exactly as it was registered with the IRS when the Employer Identification Number was assigned. Don't enter the name of an individual above the legal entity name.

> **DO NOT submit your name with a Tax Identification Number that was not assigned to your name.** An individual doctor's name is only appropriate on the first line of the W-9 if the TIN belongs to the individual doctor or the doctor is a sole proprietorship or single member LLC owner. If the TIN given was issued to a P.C., the P.C.'s legal name must be entered on the first line.

Thank you for your cooperation in providing us with this information. Please return the completed form in the envelope provided to: (INSERT AGENCY NAME AND ADDRESS)

Sincerely,

Procedures To Review The Accuracy & Completeness Of Forms W-9

✓ Verify that the name given on the first line is that of an individual if the entity type of the vendor is a sole proprietorship or single member LLC.   NOTE: If a business name is provided as the legal name and the entity type is a sole proprietorship, we can accept it if the owner signed the form and entered "owner" as the signer's title.

✓ Verify that the name is consistent with the entity type of the vendor. For example, if the entity type indicated is a corporation, the name should not contain the word "Partnership."

✓ Verify that the TIN given has exactly 9 digits.

✓ If the TIN provided is already on the VEND with a different name, contact the vendor to verify that he or she has given the correct Tin and legal name. If you add a record to VEND with a name different that the master vendor record, it will be put on HOLD.

✓ If you have reason to believe that the vendor has given an incorrect name or TIN, every effort should be made to obtain a correct W-9 **BEFORE the vendor is added to VEND.**

✓ If the W-9 is not dated, we can still accept it. Enter zeros in the date portion of the W-9 tracking field on VEND. A signature is not required unless a certified W-9 is needed for backup withholding notices or interest payments.

✓ If a sole proprietor provides both an EIN and a SSN, and neither exists on VEND, use the SSN.

See the following chart for more information on VEND field requirements for each entity type.

Entity Type Chart

Use the information on this chart when adding vendor records to the VEND Table.

ENTITY	1099	Entity Type	TIN TYPE EIN=1 SSN=2	NAME	TIPS / ADDITIONAL INFORMATION
INDIVIDUAL	Y	I	2	LAST COMMA SPACE FIRST	MUST NOT BE A BUSINESS NAME
SOLE PROPRIETORSHIP AND SINGLE MEMBER LLC	Y	S	1 or 2	NAME OF OWNER LAST COMMA SPACE FIRST	OWNER'S NAME ON FIRST LINE MUST NOT HAVE A BUSINESS NAME ON FIRST LINE. ENTER SINGLE MEMBER LLC'S AS SOLE PROPRIETOR
PARTNERSHIP	Y	P	1	PARTNERSHIP	NAME CAN BE PARTNER' NAMES OR A TRADE NAME NAME CONTROL MUST BE THE FIIRST 4 CHARACTERS OF THE LEGAL PARTNERSHIP NAME. IF THE LEGAL NAME CONSISTS OF THE PARTNER'S NAMES, NAME CONTROL IS THE FIRST 4 LETTERS OF THE LAST NAME OF THE FIRST PARTNER LISTED.
ESTATE	Y	E	1	ESTATE NAME	ALWAYS ENTER LAST NAME OF DECEASED EXAMPLE: DOE ESTATE, JOE
TRUST	Y	T	1	TRUST NAME	
CORPORATION THAT PROVIDES MEDICAL OR LEGAL SERVICES	Y	C	1	CORP NAME,	CAN BE A CORP NAME THAT CONSISTS OF THE PERSON'S NAME FOLLOWED BY PC (OR PA), OR A TRADE NAME. FOR EXAMPLE: ENTER AS: JOHN DOE PC (DO NOT ENTER THE LAST NAME FIRST) OR ABC CLINIC PC EXAMPLE: JOHN DOE PC
OTHER – GROUPS CLUBS JOINT VENTURES	Y	O	1	GROUP NAME	SHOULD NEVER BE THE NAME OF AN INDIVIDUAL ON LINE 1
LIMITED LIABILITY COMPANY	Y	L	1	LLC NAME	SHOULD NEVER BE THE NAME OF AN INDIVIDUAL ON LINE 1
CORPORATIONS THAT DO NOT PROVIDE MEDICAL OR LEGAL SERVICES	N	C	1	CORPORATE NAME	SHOULD NEVER BE THE NAME OF AN INDIVIDUAL ON LINE 1
GOVERNMENT	N	G	1	GOVERNMENT OR GOVERNMENT OPERATED ENTITIES NAME	ALL LEVELS OF GOVERNMENT - INCLUDES DISTRICTS, AUTHORITIES, SOME HOSPITALS ETC.

Illustration of the State of Colorado Substitute Form W-9

Please <u>do not</u> use this illustration -- order Form # 615-82-50-7093 from Juniper Valley Products 303 370-2163.

REQUEST FOR TAXPAYER IDENTIFICATION

W-9 NUMBER (TIN) VERIFICATION **Do NOT send to IRS**

PRINT OR TYPE

Legal Name (OWNER OF THE EIN OR SSN AS NAME APPEARS ON IRS OR SOCIAL SECURITY ADMINISTRATION RECORDS)
DO NOT ENTER THE BUSINESS NAME OF A SOLE PROPRIETORSHIP ON THIS LINE - See Reverse for Important Information

RETURN TO ADDRESS BELOW

Trade Name COMPLETE ONLY IF DOING BUSINESS AS (D/B/A)

Remit Address

Purchase Order Address – Optional

PART II See Part II Instructions on Back of Form

Check legal entity type and enter 9 digit Taxpayer Identification Number (TIN) below:
(SSN = Social Security Number   EIN = Employer Identification Number)

Do Not enter an SSN or EIN that was not assigned to the legal name entered above.

☐ **Individual** (Individual's SSN)
NOTE: If no name is circled on a Joint Account when there is more than one name, the number will be considered to be that of the first name listed.

☐ **Sole Proprietorship** (Owner's SSN or Business FEIN)
NOTE: Enter both the owner's SSN and the business EIN (if you are required to have one)

SSN
EIN

☐ **Partnership** ☐ General ☐ Limited (Partnership's EIN)

☐ **Estate / Trust** (Legal Entity's EIN)
NOTE: Do not furnish the identification number of personal representative or trustee unless the legal entity itself is not designated in the account title. List and circle the name of the legal trust, estate or pension trust.

☐ **Other** ▶ _____ (Entity's EIN)
Limited Liability Company, Joint Venture, Club, etc.

☐ **Corporation** Do you provide legal or medical services? ☐ Yes ☐ No (Corp's EIN)
Includes corporations providing medical billing services

☐ **Government** (or Government Operated) Enity (Entity's EIN)

☐ **Organization Exempt from Tax under Section 501(a)** (Org's EIN)
Do you provide medical services? ☐ Yes ☐ No

☐ Check Here if you do not have a SSN or EIN, but have applied for one. See reverse for information on How to Obtain A TIN.
Licensed Real Estate Broker? ☐ Yes ☐ No

Under Penalties of perjury, I certify that:

(1) The number listed on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me) AND

(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends' or (c) the IRS has notified me that I am no longer subject to backup withholding (does not apply to real estate transactions, mortgage interest paid, the acquisition of abandonment of secured property, contribution to an individual retirement arrangement (IPA), and payments other than interest and dividends).

CERTIFICATION INSTRUCTIONS – You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of under reporting interest or dividends on your tax return. (See Signing the Certification on the reverse of this form.)

THE INTERNAL REVENUE SERVICE DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS DOCUMENT OTHER THAN THE CERTIFICATIONS REQUIRED TO AVOID BACKUP WITHHOLDING

NAME (Print or Type) _____ TITLE (Print or Type)_____

SIGNATURE of U.S. PERSON _____ DATE _____ PHONE (____) _____

DO NOT WRITE BELOW THIS LINE RETURN BOTH COPIES TO ADDRESS ABOVE

AGENCY USE ONLY

Agency ___ ___ ___ Approved By _____ Date _____
1099 Y ___ N ___
VEND Addition ___ Change ___ Action Completed By _____ Date _____

615-82-50-7093 (R 3/02)

1099 Subsystem Information

The 1099 Reporting Subsystem is a module of the Colorado Financial Reporting System (COFRS). This purpose of this section of the manual is to provide a general overview of the system. See COFRS documentation for complete information regarding the individual tables and processes.

The subsystem has four major elements:

(1)	Automatic Master Vendor Default Selection;
(2)	Selection and summarization of 1099 reportable payments to 1099 reportable vendors;
(3)	Production of hard-copy Forms 1099 for payees and magnetic media for the IRS.
(4)	Production of Corrected Forms 1099 for payees and magnetic media for the IRS

Master Vendor Default Selection

Although each vendor has only one TIN, more than one vendor code may exist on VEND for a vendor because of the need to mail the vendor's payments to more than one address.

When more than one vendor code exists, it is necessary to designate one as the Master Vendor (MV) in order to summarize and report all payments made to one TIN. The 1099 name and address fields of the Master Vendor record are printed on the hard copy Form 1099 and filed with the IRS.

When a record is added to VEND, the Master Vendor Indicator field is immediately populated by the system with one of four valid MV codes.

MV CODE	Master Vendor Field Valid Code Definitions
Y	This record is the Master Vendor record for the TIN.
N	This record is not the Master Vendor record for the TIN.
B	The program could not assign a value of "Y" or "N" and the vendor record is marked 1099 "Y".
C	The program could not assign a value of "Y" or "N" and the vendor record is marked 1099 "N".

Exception reports are produced annually for SCO by COFRS listing all records on VEND with a Master Vendor Indicator field populated with "B" or "C". SCO examines each Master Vendor "B" and "C" record on VEND, so that a valid TIN can be obtained. Because of resource limitations, the MV Indicator fields with a "B" (1099 Y) have the highest priority. The records with a "C" in the field are corrected by SCO as time permits. In most cases, the problem is readily identifiable and can be corrected by SCO without agency contact. At other times, SCO must contact the agency that added the record to request that they obtain a Form W-9 the vendor.

> **WARNING --- A Form 1099 CANNOT be produced for a TIN**
> **without a designated MV record.**

Reportable Payments Selection Process

This process creates the 1099 Payment File, which consists of summarized data from the closed monthly General Ledgers for the following types of transactions:

AD	Automated disbursements
CR	Cash Receipts
CX	Warrant Cancellations
EF	Electronic Funds Transfers
MW	Manual Warrants
JV	Journal Vouchers - When a Vendor Code is referenced

Each of the above types of transactions is examined by the process **without regard to the 1099 reportable status of the vendor.** If the object code on any of the transactions is 1099 reportable, the payment detail for the transaction is written to the 1099 Payment File and reported on either; (1) the 1099 Turnaround Report 1099 Reportable = "Y"; or, (2) the 1099 Turnaround Report 1099 Reportable = "N."

If a vendor code is not referenced on the JV transaction, and the object code used is 1099 reportable, the payment information is listed on the T9903 JA/JV/CX Report and the transaction represents a potential manual adjustment to the total vendor income amount.

Forms 1099 Production

Vendors receive only one Statewide summarized Form 1099 with a statewide total in the appropriate box on the form. Each agency with payments to that contributed to the total amount reported is identified on the bottom of the form. The forms provide the recipient with the name and address of each agency and the amount of income paid by each agency.

The 1099's are only issued for amounts of $600 or more. An SCO *1099 Helpline* phone number is now printed on the forms (303 866-4090). Most recipient questions can be answered immediately by SCO. If not, agencies are contacted to provide the necessary information. Agencies are requested not to use the Helpline number to contact SCO.

The Forms 1099 are laser printed at GGCC and delivered to SCO for mailing. Copies of the original forms are kept at SCO, rather than at the paying agency.

COFRS Tables Used by the 1099 Reporting Subsystem

COFRS Tables Used For 1099 Reporting			
VEND	1099	TIN1	TINS
MVEN	99TX	TIN2	
1099	99CR	AD99	

VEND Table Example

```
ACTION: R  SCREEN: VEND USERID: $1099              11/25/98  03:21:44 PM
VENDOR TABLE
KEY IS VENDOR CODE
VENDOR: 123456789    MISC: N TYPE:       ---------1099 NAME/ADDRESS --------
NAME: TURTLE, TERRENCE                   TURTLE, TERRENCE
 DBA:
ADDR: 5099 WAINWRIGHT AVEVUE          5099 WAINWRIGHT AVENUE
CITY: COLORADO SPRINGS     ST: CO     CITY: COLORADO SPRINGS     ST: CO
 ZIP: 80919 3180 COUNTRY:             ZIP: 80919 3180 COUNTRY:
PHONE: 719 555 2449 FAX:              BIDS END DATE:
CONTACT:
COMMENT:

ORIG USR: $DFRA9904    ORIG AGY: XAA    ORIG DATE: 01 31 96  FY END:    HOLD:  N
TIN: 123456789       MASTER: Y    ENTITY TYPE: I    BWH-1:          EFT:  N
W-9: XAA 01 24 96 V    1099: Y       EMPLOYEE: N    BWH-2:     REMIT/PO:  B
NAME CNTL: TUTT    TIN TYPE: 2    TAX EXEMPT:     2ND B:         TEXT:  N

    REPT-1:              MINORITY: U 000  %
    REPT-2:          WOMEN-OWNED: U 000  %
    REPT-3:                SMALL: N        LAST VEND MOD: 01 31 96
  IN-STATE: Y          COMMODITY: N        LAST TX UPDATE: 08 05 97
 FICTITIOUS RECORD
```

The *Vendor Table* (VEND) stores reference information about each vendor.

Records are added to this table by agencies when a business relationship is established with a new vendor. Maintenance, changes and deletions are performed by SCO.

Vendor codes are used to access vendor names and addresses, so this information does not have to be re-entered on each purchase order or payment voucher processed for a vendor.

Vendor codes are required on all purchase order transactions (PO, PC, PD, PG) and payment transactions (PV, MW) processed through COFRS.

The State uses either the vendor's Social Security number (SSN) or Employer Identification number (EIN) as the vendor code, depending on the entity type of the vendor.

The following fields on VEND are used for 1099 Reporting purposes:

(1)   1099 field - Defines vendors as 1099 reportable based solely on entity type,

---

(2)   1099 NAME & ADDRESS field on the Master Vendor Record is used for the name and address fields on Forms 1099,

(3)   MASTER field - Defines the *Master Vendor* record that contains the correct 1099 reporting name and address for vendors on the file with more than one address,

(4)   TIN field - Provides the vendor's TIN,

(5)   W-9 field - Provides an audit trail for Form W-9 tracking (verifying the agency that has a W-9 on file for the Master Vendor),

(6)   ENTITY TYPE field - Provides the entity type of the vendor so that the 1099 reportable status may be verified,

(7)   NAME CNTL field \ TIN TYPE field - Provides the *Name Control* and *TIN Type* used by IRS to verify that the vendor's correct name and TIN have been reported,

(8)   BWH-1 field \ BWH 2 field - Provides information regarding the calendar years that a vendor received backup withholding notices; allows the State to comply with IRS backup withholding 2/3 year Rule,

(9)   2ND B field - SCO enters the last two digits of the tax year for which the 2nd B-Notice indicator must be marked on the Form 1099 and on the tape filed with the IRS to comply with the IRS backup withholding 2/3 Rule,

(10)   HOLD field - Provides a means to put vendors on HOLD, preventing any further payments, when backup withholding is required or when there is a question about the vendor's correct name or TIN. Records on HOLD no not prevent a 1099 from being produced.

MVEN Table Example

```
 ACTION: R   SCREEN: MVEN USERID: $DF00                        11/01/94
09:29:49 AM
     MASTER VENDOR TABLE
     KEY IS  TAXPAYER ID

     TAXPAYER ID      VENDOR CODE           VENDOR NAME
     -----------      ------------   ----------------------------------
01- 123456789        123456789      RAVON SEEDS INC
02- 223456789        223456789      COUNTY DEPT OF SS
03- 899104419        899104419      FIRST ELECTRIC
04- 841112264        841112264      SUPPORT YOUR LOCAL SHERIFF INC
05- 849999595        849996595      VIRTUAL CORPORATION
06- 844447575        844447575      ROCKY HORROR CAFE


** FICTITIOUS NAMES AND TINS
```

The Master Vendor Table (MVEN) identifies which vendor code is designated as the Master Vendor (MV) record. This table is used in the 1099 Production Process. When more than vendor code exists for a TIN, the MV record provides the 1099 name and address that is printed on the Form 1099. Each TIN on VEND has a designated Master Vendor record, whether or not the vendor is 1099 reportable.

When there is more than one record on the vendor file for a TIN (because of an alternate addresses), one record is selected as the Master Vendor.

For example:

VENDOR CODE	TIN	MV FIELD
844000111	**844000111**	**Y**
844000111 A	844000111	N
844000111 B	844000111	N
UD01234599	840000111	N

If a Master Vendor record has not been designated for a TIN, NO FORM 1099 IS PRODUCED. There can be only one MV per TIN. All 1099 payments are reported to the 1099 NAME and ADDRESS fields on the MV record.

OBJT Table Example

```
ACTION: R  SCREEN: OBJT USERID: $DUFE                11/01/94  01:51:10 PM
 OBJECT TABLE
 KEY IS FISC YEAR, OBJECT
                                                        E OPR P 1099
 FY OBJT CLS CAT TYP GR OBJECT NAME              SHORT NAME    L N/O S TYPE
 -- ---- --- --- --- -- ---------------------------- ------------ - --- - ----
 94 1300 131  14  11 10 OTHER EMPLOYEE WAGES         OTH EMPL WAG    O  Y
 94 1310 131  14  11 10 HONORARIUM                   HONORARIUM      O  Y A  3
 94 1320 131  14  11 10 PER DIEM WAGES               PER DIE WAGE    O  Y
 94 1330 131  14  11 10 BOARD MEMBER'S COMPENSATION  BRD MEM COMP E  O  Y A  7
```

The Object Code Table (OBJT) lists object of expenditure codes available in COFRS by fiscal year. The far right column of the table defines:
- If the object code is 1099 reportable (if it is not reportable, the column remains blank);
- The type of Form 1099 on which the income is reported (A = Form 1099-MISC;   6 = 1099-INT);
- The *income type* (the box on the form in which the income is reported). A table listing reportable object codes by *Income Type* is included in this manual.

1099 Table Example

```
 ACTION: R  SCREEN: 1099 USERID: $DF00               11/01/94  01:57:05 PM
 VENDOR 1099 TABLE
 KEY IS  CALENDAR-YEAR, RETURN-TYPE, AGENCY, TAXPAYER ID, INCOME TYPE
 YR: 93 RETURN TYPE: A AGENCY: AAC TAXPAYER ID: 523765514
 VENDOR NAME: SOUTHERN, ANNETTE W

    INCOME TYPE   VENDOR INCOME AMT    MISAPPLIED AMT     OUTSIDE PAYMENT
    -----------   ------------------   ------------------  ------------------
                            RPT IND   1099 AMT REVISED    ADJUSTED 1099
                            -------   ------------------  ------------------
 01-     7           5,426.34                 0.00                0.00
                        Y                     0.00            5,426.34

 02-*L009 HEADER CHANGE      ** FICTITIOUS NAME AND TIN
```

This Table is used by the 1099 Production Process as the source for the calendar year, the type of form (1099-MISC, or 1099 INT) to be produced, the issuing agency, and the vendor income amount(s) to be printed on the hard copy Forms 1099 and reported on the IRS tape. The vendor income amount(s) for each TIN is summarized by income type so that the income is reported in the correct box on the form.

The table is populated with summarized vendor income amounts in two ways: (1) automatically, with vendor income for each TIN that is listed on the 1099 Turnaround Report, 1099 Reportable = Y; (2) manually, with adjusted vendor income amounts that were first entered in the *99TX Table* by agencies.

The *1099 Table* infers the Master Vendor name from VEND. **The name field will remain blank if there is no MV record on VEND for the TIN. In that instance, call SCO, so that a MV can be entered in the MV field of VEND. A 1099 will not be produced for a TIN that does not have a MV record on VEND.**

99TX Table Example

```
ACTION: R  SCREEN: 99TX USERID: $DF00                 11/01/94  02:02:38 PM
H-  1099 TEXT TABLE
    KEY IS YR, RETURN TYPE, AGENCY, TAXPAYER ID, INCOME TYPE, TEXT LINE.

     YR: 93 RETURN TYPE: A AGENCY: YAC TAXPAYER ID: 412445684
     INCOME TYPE: 7 VENDOR NAME: SMITH, LOUISE
                                                                      TEXT
                             TEXT                                     LINE
    ----------------------------------------------------------------- ----
01- 12/3/03  PV 03000000944  1930   ORIG CODED AS NON REPORTABLE       001
02- TOTAL ADJ AMT = +38.00                                             002
03-
```

The 1099 Text Table (99TX) is used by agencies to create the needed audit trail when manual adjustments to vendor income are made on the *1099 Table*.

The text must include: transaction dates; document ID numbers; and short explanation of the reason for the adjustment. Procedure steps to enter text on the *99TX Table* are listed in the *Procedures Section* of this manual.

99CR Table Example

```
ACTION: R  SCREEN: 99CR USERID: $DUFE                 11/01/94  02:27:24 PM
1099 CORRECTION TABLE
KEY IS  CALENDAR-YEAR, RETURN-TYPE, AGENCY, TAXPAYER ID, INCOME TYPE

YR: 93 RETURN TYPE: A AGENCY: YAA TAXPAYER ID: 840358450
VENDOR NAME: ELPASO CTY TRANSPORTS CO 21O56

    INCOME TYPE  VENDOR INCOME AMT    MISAPPLIED AMT    OUTSIDE PAYMENT
    -----------  ------------------   ----------------- ------------------
                            RPT IND   1099 AMT REVISED    ADJUSTED 1099
                            -------   ----------------- ------------------
01-      6           2,445.97                0.00                0.00
                        Y               4000.00            2,445.97
02-      7             822.20                0.00                0.00
                        Y               1000.00              822.20
03-  03-*L009 HEADER CHANGE
```

This table is an alternate view of the *1099 Table* that allows SCO to manually enter a revised 1099 amount during the 1099 correction process.

TIN1 Table Example

```
ACTION: R  SCREEN: TIN1 USERID: $DUFE2              11/23/97  05:06:10 PM
 TAXPAYER ID TABLE
 KEY IS  CALENDAR YEAR, RETURN TYPE, TAXPAYER ID, AGENCY, INCOME TYPE

 YEAR: 96  RETURN TYPE: A  TAXPAYER ID: 848484848
                          VENDOR NAME: MEDICAL CLININ

                          RPT    ORIG/ADJUSTED        REVISED
     AGENCY  INCOME TYPE  IND    1099 AMOUNT       1099 AMOUNT
     ------  -----------  ---  -----------------  -----------------
01-  FAA          6        Y          2,001.00              0.00
02-  IHA          6        Y            142.00              0.00
03-  UHA          6        Y         71,094.61              0.00
04-
```

This table is used as a reference table to find which agencies reported income for the vendor. This table is the source of vendor income detail by agency printed on the bottom of the Forms 1099.

TIN2 Table Example

```
ACTION: R  SCREEN: TIN2 USERID: $DUFE2              11/23/97  05:00:04 PM
 TAXPAYER ID TABLE 2
 KEY IS  CALENDAR YEAR, RETURN TYPE, TAXPAYER ID, INCOME TYPE, AGENCY

 YEAR: 96  RETURN TYPE: A  TAXPAYER ID: 848484848
                          VENDOR NAME: MEDICAL CLINIC

                          RPT    ORIG/ADJUSTED        REVISED
     INCOME TYPE  AGENCY  IND    1099 AMOUNT       1099 AMOUNT
     -----------  ------  ---  -----------------  -----------------
01-       6        FAA     Y          2,001.00              0.00
02-       6        IHA     Y            142.00              0.00
03-       6        UHA     Y         71,094.61              0.00
04-
```

TIN2 is an alternate view of 1099 Table. Vendor income is sorted by income type. Contains the same records as TIN1, but in a different format.

TINS Table Example

This table is used to report the total statewide income of vendors. This table is the source for the total amounts printed in the boxes on the form. Vendors with income $600 or greater are on this table.

```
ACTION: R  SCREEN: TINS USERID: $DUFE2               11/23/97  05:02:06 PM
 TAXPAYER ID SUMMARY TABLE
 KEY IS  CALENDAR YEAR, RETURN TYPE, TAXPAYER ID, INCOME TYPE

 YEAR: 96  RETURN TYPE: A  TAXPAYER ID: 848484848
                         VENDOR NAME: MEDICAL CLINIC


    INCOME    RPT    ORIG/ADJUSTED        REVISED
     TYPE     IND     1099 AMOUNT       1099 AMOUNT
    ------    ---    ------------------  ------------------
01-   6       Y             73,237.61                0.00
02-
```

AD99 Table Example

This table is the source of information that is printed at the bottom of Forms 1099 to show which agencies paid the vendor.

```
ACTION: R  SCREEN: AD99 USERID: $DUFE                11/21/97  12:25:59 PM
 1099 AGENCY ADDRESS TABLE
 KEY IS AGENCY


    AGENCY CODE        AGENCY 1099 NAME AND ADDRESS
    -----------        -----------------------------
01-    AAA             GENERAL SUPPORT SERVICES
                       1525 SHERMAN STE 200
                       DENVER  CO 80203


02-    AAB             COMMISSION ON INFORMATION MGT
                       1525 SHERMAN STE 200
                       DENVER  CO 80203
```

PHASE I   1099 Processing Procedures
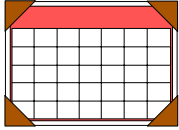
MASTER VENDOR REVIEW & VERIFICATION PHASE

Verify the 1099 Reportable Status of Vendors

Use the *VALID ENTRIES TO VEND BY ENTITY TYPE* chart on the back cover of this manual.

1. Verify that all vendors listed in the T9902R =Y report are reportable.
2. Verify that all vendors listed on the T9902R=N Report are not reportable.
3. Request a VEND change for vendors with an incorrect 1099 reportable status by circling the "1099 Y" or "1099 N" at the top of the Turnaround Report and write "Should Be Y or N", (as the case may be) at the top of the report page.
4. Photocopy the report page, attach a copy of the Form W-9 (if necessary see note below), and send both to SCO.

5. NOTE: SCO will accept a request for a change in 1099 reportable status for a vendor with an OBVIOUSLY incorrect 1099 reportable status *without a Form W-9.* However, the final decision is made at SCO regarding whether or not the status may be changed without a Form W-9. (These would include <u>obvious 1099 reportable "N" vendors</u> such as IBM; Girl Scouts of America; Walgreens; King Soopers; State Universities: States: Courts; etc., and <u>obvious 1099 reportable "Y" vendors</u> such as individuals.)

6. Write an agency contact and phone number on each page sent to SCO.

7. Forward correction requests to Sandy Rarick at SCO.

Verify that each Vendor has a Master Vendor Record

Forms 1099 WILL NOT be produced for TINS that do not have a Master Vendor record.

TINS with no MV record have asterisks (******) in the MV NAME and ADDRESS fields (on the right side of the report).

1. Circle all MV name and address fields having asterisks instead of a name and address.

   a. Photocopy the page;
   b. Enter an agency contact name and phone number on the page;
   c. Forward the report page to SCO, so that the MV INDICATOR field on VEND can be populated.

Verify that the Master Vendor Selection has a Correct Tin/ Name/ Address

Review the preliminary "Form 1099 Turnaround Report" to verify that the Master Vendor selection is correct and has a correct TIN/ NAME/ ADDRESS.

The payment name and address is printed on left and the1099 name and address that will be printed on the Form 1099 is on the right..

1.   Compare the vendor information on the agency copy of the Form W-9 to the MV listed on the RIGHT SIDE of the "Form 1099 Turnaround Report - 1099 Reportable = "Y", to verify the TIN/ Name/ Address.

2.   If the TIN/ Name/ Address on the report are the same as the information on the W-9, the MV record selection is correct and no MV record correction request needs to be sent to SCO.

3.   If the TIN/ Name/ Address on the Form W-9 **DOES NOT** match the MV record information:

   a.   Compare the TIN/ Name/ Address on the Form W-9 to the vendor records on the LEFT SIDE on the report. If a vendor record is found for which all three elements match:

      (1)   Circle the vendor record;
      (2)   Photocopy the report page and the Form W-9.
      (3)   Send <u>copies</u> (not the originals) of the vendor record and the Form W-9 to SCO requesting a MV record change.

4.   If the TIN/ Name/ Address of the Form W-9 do not match any of the records on the LEFT SIDE of the report:

   a.   Photocopy the Form W-9 and write "NO MASTER VENDOR MATCH" in the upper right corner of the form,
   b.   Send the copy to SCO as a request to create a MV record using the Tin / Name/Address on the Form W-9.

Review the JA/JV/CX Transaction by Vendor Report

Transactions included in the preliminary "JA/JV/CX Transactions By Vendor Report" **are not included in vendor income amounts** and may require an adjustment to the COFRS *1099 Table* to make the 1099 reported amount accurate.

1.   Review all transactions reported in the preliminary "JA/JV/CX Transactions to identify potential adjustments needed to make the 1099 reported amount accurate.

   a.   Refer to the transaction source documentation and the posting of the transaction in the COFRS General Ledger to identify the purpose of the transaction and the related payment voucher transactions.

   b.   Identify the related transactions in the "Form 1099 Turnaround Report" listing for the vendor and determine if the 1099 reported amount requires an adjustment for the transaction to be correct.

      (1)   Make notations on the preliminary report if a 1099 adjustment is required, and save the report for use during Phase II - "Adjustment Phase" of 1099 Processing.

Verify that the Master Vendor Record has a Correctly Formatted Name

The IRS compares the first four letters of an individual's last name (the name control) to the TIN reported. **If the name of an individual is not correctly formatted the State will receive a B-Notice for that vendor.**

1.   Verify that the MV record has a correctly formatted name.

   a.   Verify that all individuals' names are entered : Last name comma space First name.

b. **Verify that all sole proprietorship's have the owner's name on the first line: the business name on the second line.**

c. Verify that business names DO NOT have "DBA", or the word "THE" as the first word. ("THE" is acceptable when there are only two words in the name, i.e., "*The Rockies.*")

CHART - Formatting Names Correctly

INCORRECT FORMAT	CORRECT FORMAT	PROBLEM
JOHN JONES	JONES, JOHN (LAST COMMA SPACE FIRST)	WRONG NAME CONTROL REPORTED
JONES JOHN	SAME AS ABOVE	LISTED OUT OF ORDER ON VNAM -- NOT ALPHABETICALLY
JONES,JOHN	SAME AS ABOVE	LISTED OUT OF ORDER ON VNAM -- NOT ALPHABETICALLY
SMITH MD PC, HARRY	HARRY SMITH MD PC	WRONG NAME CONTROL REPORTED -- CORPORATE NAME IS *HARRY SMITH MD PC*
KENTON, JOE DBA CLEANUP CAR WASH	KENTON, JOE CLEANUP CAR WASH	CAN'T FIND *CLEANUP CAR WASH* ON VNAM -- ALSO, IRS SEARCHES SECOND NAME LINE FOR NAME CONTROL
BREAD BASKET (SOLE PROPRIETORSHIP)	LUCAS, JOAN BREAD BASKET	WRONG NAME CONTROL -- NEED NAME OF OWNER ON LINE 1
THE COMPUTER STORE (PARTNERSHIP)	COMPUTER STORE	DO NOT ENTER *"THE" UNLESS* THE NAME HAS ONLY TWO WORDS (THE CLEANERS, FOR EXAMPLE)
ESTATE OF JOHN ANDREWS	ANDREWS ESTATE, JOHN	NAME CONTROL SHOULD BE DECEDENT'S LAST NAME
MARY AND CLYDE WRIGHT (CLYDE'S SSN PROVIDED)	WRIGHT, CLYDE AND MARY	FOR JOINT ACCOUNTS, THE TIN MUST BE THAT OF THE FIRST PERSON LISTED

Procedures to Verify that the Master Vendor Record has a Deliverable Address

d. Review the address to ensure that it is an address that is deliverable by the U.S. Post Office.

(1) If either the name or address requires format changes, make the changes on a photocopy of the report page on which the error appears and send it to SCO as a request for change.

(2) If there is a street address on the 1099 side and a PO Box on the payment side, the information may have been entered incorrectly. If the city, state and zip are the same on both sides, research to see if PO Box needs to be entered on the 1099 side.

NOTE: Only **FORMAT CHANGES** to the name & address may be made without backup (Form W-9, invoice, vendor letter, etc.).

PHASE II   1099 Processing Procedures
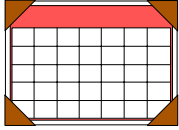
VENDOR INCOME ADJUSTMENT PHASE

Procedures to Review Vendor Income

Use the following procedures to review the Final "Form 1099 Turnaround Report - 1099 Reportable = Y" and the Final "JA/JV/CX Transaction Report" to determine the accuracy of the amount to be reported on the Form 1099.

1.   Verify the accuracy and completeness of the Total Vendor Income Amounts listed for each vendor, identifying potential adjustments needed to correct the amount to be reported on the Form 1099.

  a.   Review the transactions included on the "Form 1099 Turnaround Report -1099 Reportable = Y" to ensure that all 1099 reportable payments made by the agency to a vendor are included. **How this step is performed will vary by agency, depending upon the agency's filing system for payment voucher source documents.**

   (1)   If a system is maintained where payment vouchers are filed by vendor, review all payment vouchers included in the file and trace payment transactions that are included in the report.

   (2)   Review cash receipts, if cash receipts are used by the agency to record refunds from vendors.

   (3)   Verify that the correct object codes were used for the type of payment made to the vendor. For example, if all payments should have been for rent, use the *Income Type/ Object Code Chart* to verify that all the codes are correctly listed under Income Type 1 (Rent).

  b.   For all JV, JA and CX transactions listed on the JV/JA/CX Transactions by Vendor report, refer to the transaction source documentation and the posting of the transaction in the COFRS General Ledger to identify the purpose of the transaction and related payment voucher transactions.

   (1)   Identify the related transactions in the "Form 1099 Turnaround Report" for the vendor, and determine if the 1099 reported amount requires an adjustment for the transaction to be correct.

   (2)   Identify the Income Type into which the JA/JV or CX transaction is to be entered into the *1099 Table* by using the attached *Income Type / Object Code Chart.*

Procedures to Enter Text into the 99TX Table

The *99TX Table* provides an audit trail for all manual adjustments made to vendor's income on the *1099 Table*. Enter documentation to the *99TX Table* in a standardized format as shown in the steps below.

Before adding or changing vendor income amounts on the *1099 Table*, access the *99TX Table*:

  1.   Enter an "A" in the ACTION field to add a line, or enter a "C" in the ACTION field to change an existing line.

2.   Enter the Calendar Year for which the income is being reported.

3.   Enter the Return Type (A=1099 MISC; 6=1099 INT).

4.   Enter the COFRS agency code.

5.   Enter the Taxpayer ID.

6.   Enter the Income Type (refer to the Object Code/Income Type Table included in this manual).

7.   Enter text to document the changes to vendor income that are not due to incorrect TINs or incorrect Income Types (instructions for those types of entries have separate procedures in Phase II).

> TIP: You are adding lines *not records*. When you add lines to a TIN that exists on the table, you will get messages that state Add Line Found. Before assuming that your entry didn't take, put an "S" in the action line and press enter.

Each 99TX Table entry needs three types of information:

1.   Adjustment Text Lines - Doc Date / Doc Type/ Doc Number/ Object Code/ Amount (enter a minus sign if the amount is being subtracted).

2.   Total Misapplied Amount Line - Enter the amount that is to be entered in the MISAPPLIED AMT field on the *1099 Table*. *The Total Adjusted Amount Line* is only needed if more than one *Adjustment Text Line* is entered.

3.   Short Explanation Line - State the reason for the adjustment.

Example of 99TX Text Entry

```
 ACTION: A  SCREEN: 99TX USERID: $DF00                11/01/03  03:34:38 PM
  H-  1099 TEXT TABLE
      KEY IS YR, RETURN TYPE, AGENCY, TAXPAYER ID, INCOME TYPE, TEXT LINE.

      YR: 94 RETURN TYPE: A AGENCY: QZA TAXPAYER ID: 669384546
      INCOME TYPE: 6 VENDOR NAME: SIMS MD, BRADFORD R
                                                                     TEXT
                              TEXT                                   LINE
     ------------------------------------------------------------------ ----
  01- 110703  PV000316819  4191          -73.80                      001

  02- TOTAL MISAPPLIED AMT -73.00   / ADJUSTED 1099 AMT 693.20       003

  03- CODED TO BALANCE SHEET ACCOUNT                                 005
  09-
  03-*L009 HEADER CHANGE
```

TIPS: **Remember to have an A for ADD in the action field before you hit enter.** If you have an S for Scan in the action field and you hit enter, you'll lose the text and have to start over.

✓   You DO NOT have to enter the line number at the end of each text line. They are automatically populated.

✓   Use the DELETE key or the BACKSPACE ARROW key to delete text. If the space bar is used, the text entries do not stay formatted with spaces between the items entered. They seem to explode when <enter> is pressed.

✓   Use the space bar to make spaces between words, not the arrow keys. If the arrow keys are used, all the characters run together when ENTER is pressed.

✓   If the name field is empty, it means that no master vendor exists. Call SCO.

Procedure Steps to Adjust Vendor Income Amount

1.　　Access the *99TX Table*.

　　a.　　**Enter an "A" in the ACTION field.**

　　b.　　Enter the Calendar Year.

　　c.　　Enter the Return Type (A = 1099-Misc; 6 = 1099-INT).

　　d.　　Enter the COFRS Agency Code.

　　e.　　Enter the Taxpayer ID.

LINE NUMBERS You must enter line numbers, the system will not automatically do it for you. LEAFING Try leafing to the 1099 Table after step "H". By putting "L" in the action field and "1099" in the screen field. It only works if there is a record on 1099 for the same TIN

　　f.　　Enter the Income Type of the payment (refer to the *Income Type/ Object Code Table included in the appendix of this manual.*

　　g.　　Enter the text lines relating to the adjustment being made, following the procedure in the *Phase II - Vendor Income Adjustment Phase. Enter a line number on each line.*

　　h.　　Press <Enter> . (Verify that the correct vendor name appears.)

2.　　Access the *1099 Table*. (See text box at right.)

Tip: If the record does not exist on the 1099 table you can't scan and change – you must ADD the record. To ADD, enter all key fields including the income type and the misapplied amount before pressing enter.

　　a.　　Enter an "S" in the Action field.

　　b.　　Enter the Calendar Year.

　　c.　　Enter the Return Type (A = 1099-Misc; 6 = 1099-INT).

　　d.　　Enter the COFRS Agency Code.

　　e.　　Enter the Taxpayer ID.

　　f.　　Press <Enter>.

　　g.　　Verify that the correct vendor record is on the screen; the Vendor Name populates automatically.

　　h.　　Enter a "C" in the ACTION field.

　　i.　　Enter the amount of the adjustment in the MISAPPLIED field, (if it is negative adjustment enter a minus sign in front of the amount) then, delete the .00 at the end of the field.

　　(SEE EXAMPLES OF ENTRIES TO 99TX & 1099 ON NEXT PAGE)

How to Manually Adjust Vendor Income Amounts

Remember, you can't make changes to the 1099 Table until after it is populated on January 1.

One example of a necessary adjustment to vendor income would be if a vendor was paid using a balance sheet account (i.e., prepaid expenses).

Adjustments to 1099 totals within the same Income Type require one entry to the *99TX Table* and one entry to the *1099 Table*.

Step 1 - Example Of 99TX Entry to Manually Adjust Income

```
ACTION: A  SCREEN: 99TX USERID: $DF00                  11/01/94  03:34:38 PM
 H-  1099 TEXT TABLE
     KEY IS YR, RETURN TYPE, AGENCY, TAXPAYER ID, INCOME TYPE, TEXT LINE.

      YR: 94 RETURN TYPE: A AGENCY: QZA TAXPAYER ID: 669384546
      INCOME TYPE: 6 VENDOR NAME: SIMS MD, BRADFORD R
                                                                       TEXT
                             TEXT                                      LINE
     ------------------------------------------------------------------ ----
01-  110794   PV000316819  4191            +73.80                       001

02- TOTAL MISAPPLIED AMT +73.80   / ADJUSTED 1099 AMT 693.20            003

03- CODED TO BALANCE SHEET ACCOUNT                                      005
04-
05-
06-
07-
03-*L009 HEADER CHANGE
```

Step 2 - Example of 1099 Entry to Manually Adjust Income

```
ACTION: C  SCREEN: 1099 USERID: $DF00                  11/01/94  03:36:27 PM
 VENDOR 1099 TABLE
 KEY IS  CALENDAR-YEAR, RETURN-TYPE, AGENCY, TAXPAYER ID, INCOME TYPE

 YR: 94 RETURN TYPE: A AGENCY: QZA TAXPAYER ID: 669384546
 VENDOR NAME: SIMS MD,BRADFORD R

     INCOME TYPE  VENDOR INCOME AMT    MISAPPLIED AMT    OUTSIDE PAYMENT
     -----------  ------------------   ------------------ ------------------
                            RPT IND   1099 AMT REVISED   ADJUSTED 1099
                            -------   ------------------ ------------------
01-      6                 476.40             73.80               0.00
                             N                0.00             693.20
02-

03-

02-*L009 HEADER CHANGE
```

How to Manually Transfer Vendor Income Due to an Incorrect TIN

The income must be moved out of the incorrect TIN and into the correct TIN, therefore, adjustments must be made to BOTH TINs, in both the *99TX Table* and the *1099 Table*.

Steps to Decrease the Total for an Incorrect TIN

1.   Access the *99TX Table*, enter "A" in the ACTION field.

> **WARNING:** Verify that the income is actually populated in the 1099 Table record for the TIN before proceeding.
>
> Many times, the income was automatically transferred by SCO on VEND.
>
> Call SCO if there is any doubt.

   a.   Enter the Calendar Year.

   b.   Enter the Return Type (A = 1099-Misc; 6 = 1099-INT).

   c.   Enter the COFRS Agency Code.

   d.   **Enter the INCORRECT Taxpayer ID.**

   e.   Enter the Income Type of the payment (refer to the *Income Type / Object Code Table* included in the appendix of this manual).

   f.   Enter text stating: INCOME TRANSFERRED TO (enter the correct TIN). *Enter a line number on each line*

   g.   Press <Enter>. Verify that the correct vendor record is on the screen; the Vendor Name populates automatically.

2.   *Leaving the key to the above 99TX record intact (do not change the year, return type, agency),* **enter an "A" in the ACTION field. (DO NOT press Enter at this point.)**

   a.   **Enter the CORRECT Taxpayer ID.**

   b.   Enter text stating: INCOME MOVED FROM (enter the incorrect TIN). *Enter a line number on each line*

   c.   Press <Enter>.

3.   Access the *1099 Table*. Enter "S" in the ACTION field.

   a.   Enter the Calendar Year.
   b.   Enter the Return Type (A = 1099-Misc; 6 = 1099-INT).
   c.   Enter the COFRS Agency Code.
   d.   Enter the INCORRECT Taxpayer ID.
   e.   Press <ENTER>. Verify that the correct vendor record is on the screen; the Vendor Name populates automatically,

   If the correct record appeared on the table, continue:
   f.   Enter a "C" in the ACTION field.
   g.   Negatively adjust the income to zero by (1) entering into the MISAPPLIED field the amount that is in the VENDOR INCOME AMT field. [Enter the amount with a minus sign preceding it (-3098.49)] (2) Erase to the end of the field to remove the ".00".
   h.   Press <Enter>.
   i.   Verify that the ADJUSTED 1099 AMT field is .00.

Steps to Increase the Total in the Correct TIN:

4.   Access the *1099 Table*. Enter "S" in the ACTION field.

    a.   Enter the Calendar Year.
    b.   Enter the Return Type (A = 1099-Misc; 6 = 1099-INT).
    c.   Enter the COFRS Agency Code.
    d.   Enter the CORRECT Taxpayer ID. Then, Press <ENTER>.
    e.   Verify that the correct vendor record is on the screen; the Vendor Name populates automatically.

         NOTE: Do not continue with the following steps if the vendor record is not on the *1099 Table*. Instead: (1) Enter an "A" in the ACTION field *to add the record to the 1099 Table*; (2) Enter the key fields as shown above; (3) Enter the income type; (4) Enter the correct amount in the MISAPPLIED AMT field. (4) Press <Enter>.

         If the correct record appeared on the table, continue:

    f.   Enter a "C" in the ACTION field.
    g.   Adjust the income by (1) entering the amount that was negatively adjusted out of the incorrect TIN, into the MISAPPLIED AMT field (*so that the ADJUSTED AMT FIELD reflects the vendor's correct income to be reported*).   *Enter a line number on each line*
    h.   Press <Enter>.
    i.   Verify that the amount in the ADJUSTED 1099 AMT field is correct.

Example of Entries to 99TX to Document an Incorrect TIN

Step 1: 99TX Entry to Reduce Income paid to an Incorrect TIN

```
ACTION: A  SCREEN: 99TX USERID: $DF00                11/01/94  03:34:38 PM
 H-  1099 TEXT TABLE
      KEY IS YR, RETURN TYPE, AGENCY, TAXPAYER ID, INCOME TYPE, TEXT LINE.

     YR: 94 RETURN TYPE: A AGENCY: QZA TAXPAYER ID: 669384546
      INCOME TYPE: 6 VENDOR NAME: SIMS MD, BRADFORD R (NAME INFERRED FROM MV
                                                         RECORD ON VEND)


                         TEXT                                          LINE
---------------------------------------------------------------------- ----
 01- 113093   INCOME TRANSFERRED TO 769384546                          001
 02-                                                                   003
 03-                                                                   005
 06-
 07-
 08-
 09-
 03-*L009 HEADER CHANGE
```

Step 2: 99TX Entry to Increase Income to the Correct TIN

```
ACTION: A  SCREEN: 99TX USERID: $DF00              11/01/94  03:34:38 PM
 H- 1099 TEXT TABLE
     KEY IS YR, RETURN TYPE, AGENCY, TAXPAYER ID, INCOME TYPE, TEXT LINE.

     YR: 94 RETURN TYPE: A AGENCY: QZA TAXPAYER ID: 769384546
     INCOME TYPE: 6 VENDOR NAME: SIMS MD, BRADFORD R (NAME INFERRED FROM
                                                      MV RECORD ON VEND)


                     TEXT                                              LINE
-------------------------------------------------------------------- ----
 01- 113093   INCOME TRANSFERRED FROM 669384546              001
 02-                                                         003
 03-                                                         005
 06-
 07-
 08-
 09-
 03-*L009 HEADER CHANGE
```

How to Make an Object Code or Income Type Adjustment

Example: Object code 2310 was used; the correct object code is 2710. Object code 2310 is in Income Type 7 (Box 7 - Nonemployee Compensation); Object code 2710 is in Income Type 6 (Box 6 - Medical).

Because the correct object code is a different income type, it is necessary to negatively adjust the amount from the wrong object code/income type, and transfer the amount to the correct object code/ income type.

This type of adjustment requires entries to two screens on the *99TX Table* and one entry on the *1099 Table*.

Steps to Correct (Decrease) the Total in the Incorrect Income Type

1. Access the *99TX Table*, enter "A" in the ACTION field.

   a. Enter the Calendar Year.
   b. Enter the Return Type (A = 1099-Misc; 6 = 1099-INT).
   c. Enter the COFRS Agency Code.
   d. Enter the TIN.
   e. Enter the INCORRECT INCOME TYPE (refer to the *Income Type / Object Code Table* included in the appendix of this manual).
   f. Enter text stating: INCOME TRANSFERRED TO INCOME TYPE _____ [enter the correct Income Type] (*Enter a line number on each line),*
   g. Press <Enter>. Verify that the correct vendor record is on the screen; the Vendor Name populates automatically.

2. *Leave the key to the above 99TX record intact (do not change the year, return type, agency, or TIN).* **Enter an "A" in the ACTION field. (DO NOT press Enter at this point.)**

   a. In the INCOME TYPE field, Enter the correct Income type.
   b. Enter text stating: INCOME TRANSFERRED FROM (enter the incorrect Income Type).
   c. *Enter a line number on each line* then, Press <Enter>.

3. Access the *1099 Table*. Enter "S" in the ACTION field.

a. Enter the Calendar Year.
b. Enter the Return Type (A = 1099-Misc; 6 = 1099-INT).
c. Enter the COFRS Agency Code.
d. Enter the Taxpayer ID.
e. Press <ENTER>. Verify that the correct vendor record is on the screen; the Vendor Name populates automatically,

If the correct record appeared on the table, continue:

f. Enter a "C" in the ACTION field.
g. Negatively adjust the income in the INCORRECT INCOME TYPE to zero by (1) entering into the MISAPPLIED field the amount that is in the VENDOR INCOME AMT field. [Enter the amount with a minus sign preceding it (-3098.49)] (2) Erase to the end of the field to remove the ".00".
h. Verify that the ADJUSTED 1099 AMT field in the incorrect Income Type line is .00.

Steps to Correct (Increase) the Total in the Correct Income Type:

4. Access the *1099 Table*. Enter "S" in the ACTION field.

a. Enter the Calendar Year.
b. Enter the Return Type (A = 1099-Misc; 6 = 1099-INT).
c. Enter the COFRS Agency Code.
d. Enter the CORRECT Taxpayer ID. Then, Press <ENTER>.
e. Verify that the correct vendor record is on the screen; the Vendor Name populates automatically.

NOTE: Do not continue with the following steps if the vendor record is not on the *1099 Table*. Instead: (1) Enter an "A" in the ACTION field *to add the record to the 1099 Table*; (2) Enter the key fields as shown above; (3) Enter the income type; (4) Enter the correct amount in the MISAPPLIED AMT field. (4) Press <Enter>.

If the correct record appeared on the table, continue:

f. Enter a "C" in the ACTION field.
g. Adjust the income by (1) entering the amount that was negatively adjusted out of the incorrect TIN, into the MISAPPLIED AMT field (*so that the ADJUSTED AMT FIELD reflects the vendor's correct income to be reported*).
h. Verify that the amount in the ADJUSTED 1099 AMT field is correct.

2. *Leaving the key to the above 1099 Table record intact (DO NOT change the year, return type, agency, or TIN)*, **enter an "A" in the ACTION field. (DO NOT press Enter at this point.)**

a. Enter the CORRECT Income Type in the INCOME TYPE field.
b. Enter the Total amount of income that should be reported in the MISAPPLIED AMT field. [After entering the amount, remember to erase the .00 at the end of the field before pressing Enter].
c. Press <Enter>.
d. Verify that the amount in the ADJUSTED 1099 AMT field of the *incorrect Income Type is .00*, and that the amount in the ADJUSTED 1099 AMT field of the correct Income Type is correct.

Example of Entries to Correct an Incorrect Income Type

Step 1: 99TX Entry to Reduce Income in Wrong Income Type

```
 ACTION: A  SCREEN: 99TX USERID: $DUFE               11/01/94  03:34:38 PM
 H-  1099 TEXT TABLE
      KEY IS YR, RETURN TYPE, AGENCY, TAXPAYER ID, INCOME TYPE, TEXT LINE.

      YR: 94 RETURN TYPE: A AGENCY: QZA TAXPAYER ID: 669384546
      INCOME TYPE: 6 VENDOR NAME: SIMS MD, BRADFORD R (NAME INFERRED FROM MV
                                                       RECORD ON VEND)


                            TEXT                                        LINE
 ---------------------------------------------------------------------- ----
 01- 122194    INCOME TRANSFERRED TO INC TYPE 7                         001
 02-                                                                    003
 03-                                                                    005
 04-
 05-
 06-
 03-*L009 HEADER CHANGE
```

Step 2: 99TX Entry to Increase Income in the Correct Income Type

```
 ACTION: A  SCREEN: 99TX USERID: $DF00               11/01/94  03:34:38 PM
 H-  1099 TEXT TABLE
      KEY IS YR, RETURN TYPE, AGENCY, TAXPAYER ID, INCOME TYPE, TEXT LINE.

      YR: 94 RETURN TYPE: A AGENCY: QZA TAXPAYER ID: 669384546
      INCOME TYPE: 7 VENDOR NAME: SIMS MD, BRADFORD R (NAME INFERRED FROM
                                                       MV RECORD ON VEND)


                            TEXT                                        LINE
 ---------------------------------------------------------------------- ----
 01- 122194    INCOME TRANSFERRED FROM INC TYPE 6                       001
 02-                                                                    003
 03-                                                                    005
 04-
 05-
 06-
 03-*L009 HEADER CHANGE
```

Appendix A – Definition of 1099 Terms

1099 TABLE -Table in COFRS where vendor income information is summarized by calendar year, Form 1099 type, Agency, Income Type. Manual entries to correct information require a corresponding entry in the 99TX Table.

1099-INT - Type of information return used to report certain interest payments to the IRS

1099-MISC -Type of information return used to report certain payments to non employees to the IRS

1099-S – Type of information return used to report certain real estate transactions to the IRS

147C Letter - An IRS form letter that verifies a taxpayer's correct TIN and legal name combination. This letter must be provided to SCO by vendors who have been on the backup withholding list in two out of any three consecutive years.

99CR Table - Table in COFRS that allows SCO to enter a revised vendor income amount when needed for corrected Forms 1099 .

99TX Table - Table in COFRS for agencies to input an audit trail record for vendor changes to vendor TIN, income type, and vendor income.

B-Notice - Notice sent to vendors for whom an incorrect Tin / Name combination was filed on an information return, advising them that unless a certified Form W-9 is received, they are subject to having 28% of any future reportable payments withheld as income taxes.

Backup Withholding - Withholding income tax of 28% of a payment at the time the payment is made

Calendar year - Twelve month period from January 1 though December 31 for which Form 1099 information is gathered and reported.

Certified TIN - A vendor is required to certify that the information provided on a Form W-9 is correct and/or that he is exempt from backup withholding by signing the perjury statement on a W-9. Forms W-9 sent with backup withholding notices must be signed.

COFRS [Colorado Financial Reporting System] - statewide accounting and reporting system.

Corporate Division - A division of a corporation is like an "arm" of the parent corporation - it is not a separate entity. The parent corporation consolidates the division's tax information with its return. The correct TIN is the EIN of the parent corporation.

Corporation - A legal entity; a group of people who get a charter granting them as a body certain legal powers, rights, privileges and liabilities. The correct TIN is the corporate EIN.

Corrected 1099s - Information returns filed with the IRS with corrected amounts, TIN, Name or address at some time after the original information was reported to the IRS.

CP2101 Notice - IRS notification to the State of incorrect Tin / Name combinations reported on Forms 1099. The State must backup withhold 28% of all reportable payments made to these vendors unless a certified Form W-9 is received from the vendor within 30 days of the date on the notice.

CP215/15 - IRS Penalty Notice; Issued to filers who report incorrect information on Forms 1099.

DBA - Abbreviation for "Doing Business As." Commonly seen preceding a trade name.

EIN [Employer Identification Number] - Used interchangeably with FEIN (Employer Identification Number).

Entity types – Identifies the way a business is organized under the law. Describes the organizational structure of a vendor.

Estate - An estate is a legal entity that is created as a result of a person's death. The correct TIN is the estate's EIN.

FEIN [Federal Employer Identification Number] Used interchangeably with EIN.

HOLD - Action taken by entering a "Y" in the HOLD filed of VEND. Prevents payment vouchers from being processed for a particular vendor code.

Income types - 1099 income is reported by type. The types correspond with the boxes on the hard copy Forms 1099.

Incorrect TIN - The IRS considers any Tin / Name combination incorrect if the number has never been issued by the IRS or the SSA, or if the a match cannot be found between the TIN and the four letter name control reported on the Form 1099.

IRS - Internal Revenue Service

Master vendor - The vendor record on the COFRS VEND Table with a "Y" in the MASTER IND field.
The Master Vendor record provides the correct name and address for a vendor with more than one record (vendor code) on VEND.

Matching process - IRS process of verifying the nine digits of the TIN to the first four letters of the 1099 recipients surname, or the first four letters of a business name.

Missing TIN - The IRS treats a TIN as missing if the number reported does not contain 9 digits or includes one or more alpha characters (a character or symbol other than an Arabic numeral) as one of the nine digits.

MVEN - Table within COFRS that defines the vendor code on VEND that is used to print the Name and address on Forms 1099. All reportable payments to a particular TIN are "rolled up" and reported to the Master Vendor name and address.

Name control - The first four letters of the taxpayer's last name (in the case of individuals and sole proprietorships) and the first four letters of the business name (in the case of partnerships, corporations, associations, etc.) The name control is used by the IRS to verify that the TIN corresponds with the proper taxpayer.

Object codes - Object of expenditure codes. All object of expenditure codes are listed in the COFRS OBJT Table.

OBJT - Table within COFRS that lists every available object of expenditure code. Defines an object of expenditure code as 1099 reportable; Defines the Form and Income Type on which payments are reported; A= Reported on Form 1099-MISC, 6= Reported on Form 1099-INT.

Partnership - An association of two or more partners in a business enterprise; individuals, corporations, trusts, estates, and partnerships may be partners within a partnership. A partnership name may consist of the names of the partners or a trade name. The correct TIN is the partnership EIN.

Payee Statement - The hard copy Form 1099 that is sent to the income recipient

Reasonable Cause - The IRS will waive penalties asses if the payer can show that reasonable cause existed. Two examples of reasonable cause are "significant mitigating factors" existed, and that the failures were the result of "events beyond the filers control".

Recipient Statement - Hard copy statement sent to the income recipient

SCO - State Controller's Office

Sole proprietorship/individual/husband and wife co-owner - individual owner of a business; may or may not have employees. Reports income on Schedule C of their individual return. Correct TIN is the SSN or EIN. Correct name for reporting purposes is the name of the owner. Using the name of the business instead of the owner's name will result in a B-Notice.

Solicitation - A request for vendor's correct Tin / Name combination

SSA - Social Security Administration

SSN - Social Security Number; Permanently assigned 9-digit number used as the TIN for individuals, sole proprietorships.

Subsidiary - A subsidiary of a corporation must have its own EIN. A subsidiary files a separate charter with the Secretary of State and issues its own stock.

TIN Type - TIN type 1 = Employer Identification Number, formatted as 99-9999999; TIN Type 2 = Social Security Number, formatted as 999-99-999

TIN - Tax Identification Number; Can be either a Social Security Number or Employer Identification Number

Trust - A legal entity that is created under State law and is taxed under Federal law. The correct TIN is the trust's EIN.

VEND - Table within COFRS that contains vendor information needed to process payments and Forms 1099.

Vendor Code - A key element on the COFRS VEND Table. Identifies persons or firms to whom the State makes payments. Each vendor code is a record containing key information about a vendor. The State uses either an SSN or an EIN as the vendor code.

W-8 Form - *Certificate of Foreign Status Form*, obtained for foreign vendors with whom the State does business; Used in lieu of a W-9 when the vendor is not required by law to have a Tax Identification Number

W-9 Form - *Request for Taxpayer Identification Number and Certification* - Form used to request the correct TIN /name combination of the vendor, and allows the vendor to certify that he is exempt from backup withholding.

Appendix B Back Cover Entity Type Chart and Object Code/Income Type Chart

APPENDIX B   Valid Entries to VEND by Entity Type Chart

Use the information on this chart when adding vendor records to the VEND Table.

ENTITY	1099	Entity Type	TIN TYPE EIN=1 SSN=2	NAME	TIPS / ADDITIONAL INFORMATION
INDIVIDUAL	Y	I	2	LAST COMMA SPACE FIRST	MUST NOT BE A BUSINESS NAME
SOLE PROPRIETORSHIP	Y	S	1 or 2	NAME OF OWNER LAST COMMA SPACE FIRST	OWNER'S NAME ON FIRST LINE MUST NOT HAVE A BUSINESS NAME ON FIRST LINE.
PARTNERSHIP	Y	P	1	PARTNERSHIP	NAME CAN BE PARTNER' NAMES OR A TRADE NAME NAME CONTROL MUST BE THE FIIRST 4 CHARACTERS OF THE LEGAL PARTNERSHIP NAME. IF THE LEGAL NAME CONSISTS OF THE PARTNER'S NAMES, NAME CONTROL IS THE FIRST 4 LETTERS OF THE LAST NAME OF THE FIRST PARTNER LISTED.
ESTATE	Y	E	1	ESTATE NAME	ALWAYS ENTER LAST NAME OF DECEASED EXAMPLE: DOE ESTATE, JOE
TRUST	Y	T	1	TRUST NAME	
CORPORATION THAT PROVIDES MEDICAL OR LEGAL SERVICES	Y	C	1	CORP NAME,	CAN BE A CORP NAME THAT CONSISTS OF THE PERSON'S NAME FOLLOWED BY PC (OR PA), OR A TRADE NAME. FOR EXAMPLE: ENTER AS: JOHN DOE PC (DO NOT ENTER THE LAST NAME FIRST) OR ABC CLINIC PC EXAMPLE: JOHN DOE PC
OTHER – GROUPS CLUBS JOINT VENTURES	Y	O	1	GROUP NAME	SHOULD NEVER BE THE NAME OF AN INDIVIDUAL ON LINE 1
LIMITED LIABILITY COMPANY	Y	L	1	LLC NAME	SHOULD NEVER BE THE NAME OF AN INDIVIDUAL ON LINE 1
CORPORATIONS THAT DO NOT PROVIDE MEDICAL OR LEGAL SERVICES	N	C	1	CORPORATE NAME	SHOULD NEVER BE THE NAME OF AN INDIVIDUAL ON LINE 1
GOVERNMENT	N	G	1	GOVERNMENT OR GOVERNMENT OPERATED ENTITIES NAME	ALL LEVELS OF GOVERNMENT - INCLUDES DISTRICTS, AUTHORITIES, SOME HOSPITALS ETC.

Chart - Income Type / Object Code Table

INCOME TYPE / OBJECT CODE TABLE For Forms 1099-MISC (Rev 11/2003)								
Type 1	Type 2	Type 3	Type 6	Type 7				TYPE C
Rent	Royalties	Other Income	Medical	Non Employee Compensation				Attorney Gross ayments
2250 2253 2254 2255 2256 2257 2258 4195 6810	4230	1310 4111 4114 4115 4117 5781 5791 5881 5891	1940 2710 4190	1330 1910 1920 1930 2110 2150 2160 2170 2180	2190 2210 2220 2230 2231 2232 2240 2310 2311	2312 2610 2611 2612 2641 2680 2690 2820	2830 4119 4161 4162 4163 4192	4118

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